

QUARTERLY PROGRESS
REPORT AND FINANCIAL
SUMMARY

OCTOBER TO DECEMBER 2005

LOCAL GOVERNMENT REFORM
PROJECT II/CROATIA

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LOCAL GOVERNMENT REFORM PROJECT II/CROATIA

I. BACKGROUND

The purpose of this contract is to implement the Local Government Reform Project II, which addresses various components of the system of local government in Croatia. This project intends to assist central and local institutions in Croatia to work toward greater decentralization, transparency, and improved fiscal and management practices among local governments. This report is organized around the components of the project described in the project's revised statement of work. The activities under each component are listed in chronological order.

II. KEY HIGHLIGHTS FROM THE QUARTER

The most important legislative achievement during the reporting period was the final **adoption of amendments to the Law on Local and Regional Government** (9 November). Savez and LGRP advocated for specific changes to the Law during previous reporting periods. These lobbying efforts yielded the following results:

- Best Practice program (initially started by Savez in cooperation with Council of Europe) becomes an official award by the Government of Croatia to select local governments. The Government issued the Award based on the recommendations of Savez (article 2.)
- The status of "large cities" is granted to local governments with a population above 35,000 persons (article 6.)
- Decentralization of location/construction permits (article 4.) to larger local governments and county seats
- Decentralization of traffic regulation (article 3. and 4.) to larger local governments and county seats
- Sessions of local councils must be open for public (article 8)
- Local Democracy Academy is established in coordination with Savez (article 20) and is funded by State budget funds.

Savez independently advocated for the executive body (board) to be returned to municipalities below population of 3,000 based on demand from smaller municipalities. LGRP and Savez jointly advocated for other changes, except for the status of large cities, which was introduced on the Government's initiative and for the public local council sessions.

During the reporting period, the **LGRP team worked on the design, organization and implementation of five regional conferences on outsourcing**. The conferences attracted 130 participants from 80 local governments. The goal of the regional conferences was to exchange information, promote good practices and mechanisms of outsourcing, and identify key areas for improvement. First regional conference was held in Opatija on October 27, followed by Koprivnica on November 8, Osijek on November 29, Split on December 7 and Zagreb on December 13. Guest speakers and presenters included prominent local government representatives such as Amir Muzur,

Mayor of Opatija; Zvonimir Mršić, Mayor of Koprivnica; and Ljiljana Kuhta-Jelicic, Deputy Mayor of Zagreb. The conferences addressed key areas of outsourcing such as procurement procedures, the NGO Charter, the Directory of service providers, the local government consultancy market and HUKON as a mechanism for advancing the consultancy market. The evaluation results indicated a great interest in this topic and in utilizing information from the conferences in their daily practices.

LGRP developed the “Directory of Professional Expertise for Local Governments”. This activity started in the previous quarter, when the database was created and first information collected. LGRP continued to collect information about service providers through phone-calls to all local governments and responses to LGRP newspaper advertisements. The Directory now has over 800 entries (individual consultants, firms, NGOs and other organizations) and is available on the LGRP website. The CD with the initial database was distributed to the participants at the final Zagreb regional conference held in December.

The LGRP will initially manage the Directory, but preliminary arrangements have been made with the Union about their management of the Directory in the future. The current version is in MS Access format, but will be converted into a web application, enabling easier updates and searches on the Internet. As a result of the regional conference in Split, MICRO grupa expressed interest to place a link on the Directory to their database with all international projects in Croatia.

LGRP worked with all **five partner institutions involved in the Public Administration Certificate Courses** program and developed an implementation plan for the next quarter and draft course timeline for 2006. LGRP designed and implemented the first two five-day courses at Zagreb School of Economics and Management and Šibenik College for Management (University of Zadar) in collaboration with Cleveland State University (Maxine Goodman Levin College of Urban Affairs). The Courses were successfully conducted in December serving 55 participants: local government professionals and elected officials as well as students of the host institutions. Certificates of achievement were presented to 45 participants from local governments (27 at ZSEM and 18 at Šibenik College).

The next Certificate Courses at the Faculty of Law at University of Split and the Faculty of Political Science at University of Zagreb will be held in February and March. In the next quarter, Šibenik College for Management and the Zagreb School of Economics and Management/ZSEM will organize their second certificate courses.

LGRP and Savez staff prepared an **“Analysis of Local Government Functional Tasks and Recommendations for Further Decentralization”** based on the findings and recommendations from the joint roundtables on functional analysis. After review and approval by the Savez Executive Director, a draft Analysis was disseminated on December 29 to the Savez senior management team and all Savez members of the Decentralization Commission and its Experts Groups. The draft Analysis will be reviewed in a meeting with the Savez senior management team and all Savez members of the Decentralization Commission and Experts Groups on January 13. The objective of the meeting will be to finalize the Analysis, develop a strategy for using it in the Decentralization Commission and Experts Groups, and discuss the plan for its dissemination.

The Analysis was prepared in partnership with the Savez and with the direct participation of a large number of the most active local governments. It is expected to be a particularly useful tool to represent the interests of local governments in the process of decentralization now gathering momentum. In particular, the members of the Experts Groups are expected to present the recommendations contained



in the Analysis to each sectoral Experts Group as part of the work of the Decentralization Commission (and could be used independently of the work of the Commission).

III. PROGRESS OF MAJOR ACTIVITIES FOR EACH PROJECT COMPONENT

1. ADVANCE LOCAL GOVERNMENT POLICY AND LEGISLATION

Subcomponent 1.4.1 and 1.4.3

- As previously agreed with USAID, in order to address benchmarks 1.4.1 and 1.4.3 for the Policy Component in a systematic and coordinated fashion, LGRP undertook a major analysis of the detailed existing functions of the state and de-concentrated state administration at the county level, county level self governments and local self governments. The analysis focused on those sectors that have good potential as candidates for devolution of specific functions and authorities from either the state or county level to local self-governments, based on international experience. The initial results were compiled in a set of matrices for each sector. After preparing the matrices according to existing legislation and supporting detailed Ministerial rulebooks, the LGRP team then conducted field visits and extensive meetings with local governments, the UNDP advisor for local governance and the Savez staff to ensure the matrices reflected the actual functions and authorities exercised in practice.
- LGRP, in cooperation with Savez, conducted a series of six (6) Roundtables with various size groups of local governments (32 cities in the first phase of decentralization, other cities > 8,000 population, cities < 5,000, municipalities > 5,000, municipalities 2,000 – 5,000 and municipalities < 2,000). The objective of the roundtables was to identify specific functions that local governments have the administrative capacity to absorb, if provided adequate financial resources, as well as those functions that are a priority of the local governments for decentralization. One hundred and fifty (150) participants from 121 local governments (including 86 mayors or deputy mayors) actively participated in the roundtables and contributed their recommendations.

Subcomponent 1.4.2.

- As required by the LGRP scope of work, the project contracted with the civic advocacy group, GONG, to prepare two monthly reports: "Update from the Sabor" and "Legislative Alert". These documents will report on legislative activity of the Croatian Parliament, which includes information on legislative drafts relevant to local governments. GONG is required to monitor the Sabor's web site, attend meetings of committees that focus on local government issues and monitor national and regional press for statements of political leaders and caucuses related to local governments.

The Update from the Sabor and Legislative Alert is a source of information for events organized for the Advocacy Network through forums such as the Local Government Hours. LGRP will send the Update to its Croatian partners in the Advocacy Network, Savez and others, as well as to USAID. LGRP encouraged Savez to send the reports directly to its members in order to keep them up-to-date on Parliament's local government legislative activity and to mobilize an advocacy and policy agenda.

- GONG prepared a pilot "Update from Sabor" at the end of December 2005. The LGRP discussed the format and content of the pilot with GONG. Based on this discussion, the first "Update from

Sabor" will be issued at the end of the first Parliament session in 2005. The first "Legislative Alert" will be issued at the end of January 2006 since Parliament will only start its session on January 26, 2006.

Subcomponent 1.4.4

- Based on international experience and fieldwork in Croatia, LGRP completed a study (draft version) on the topic of cooperation among local governments for public service delivery. For this purpose, LGRP gathered information in Croatia and provided examples from other countries, initial recommendations and a plan of action, including specific steps that could be taken by the GOC and LGs to enhance cooperation for public service delivery.

Subcomponent 1.4.5

- In November, LGRP finalized activities to address the policy sub-component on capital financing and developed a scope of work for an investment expert to address the issue. The approach utilized existing LGRP materials to address investment processes. This approach relied on the creation of guidelines for local governments to develop and adopt a comprehensive investment policy. The guidelines will be the framework for developing recommendations to local governments on locating, planning, budgeting and monitoring the capital financing.

In December, LGRP hired an investment expert, Fred Van Antwerp, to develop an approach and draft a set of recommendations for local government on capital financing. The recommendations were developed in draft form and will be presented to a team of local investment experts during the next reporting period. The recommendations will then be finalized as part of a conference agenda to be presented to local governments in Croatia (Zagreb and Split). The main elements in draft recommendations are: (1) identification of the projects (through strategic and urban plans and also through prioritization of social infrastructure projects); (2) definition of internal financial capability and availability of external sources; (3) development of a long-term capital plan, and (4) implementation of projects (including developing of appropriate documentation).

2. INCREASED ADVOCACY OF LOCAL GOVERNMENT INTERESTS

- One of the weaknesses recognized by Savez is its relations with the media and public relations in general. In order to help Savez staff, presidency and interested members improve their relationship with the media, LGRP contracted a public relations firm, Madison, to work with Savez and tailor a training course to meet the needs of Savez. Madison will conduct this Media training for Savez in January.
- During the reporting period, Savez created a telephone help line to provide professional advice to member local governments twice a week for two hours. Savez experts will provide professional advice related to: legal framework for local governments, local government competencies, intergovernmental cooperation, citizen participation, elections, decentralization and territorial issues. In order to make this service broadly recognized by member and non-member local governments, LGRP's subcontractor public relations firm, Madison, worked with Savez to produce 1,200 copies of a brochure for promoting Savez and its helpline.
- In October 2005, Croatian Parliament adopted Changes and Amendments to the Law on Local and Regional Government that calls for the establishment of an Executive Board in municipalities with



populations below 3,000 persons. Savez, on behalf of member municipalities, demanded this change in legislation. Savez then prepared a sample statute for about 200 municipalities affected by this change in the law to help them establish an Executive Board in accordance with the legal framework. Savez will send this sample statute to municipalities in January.

Annual Assembly

- The Savez 2005 Assembly took place from October 18-20 in Opatija. The main focus of this annual Assembly was the election of the (1) President and Presidency of the Association of Cities, (2) President and Presidency of the Association of Municipalities and (3) Union of Association of Cities and Association of Municipalities (Savez). The Association of Cities elected their new President, Mr. Vojko Obersnel, and 20 other members of the Presidency. Due to lack of quorum of municipalities, new leadership of Association of Municipalities and for the umbrella Savez were not elected.

The other focus of this Assembly was advocacy for local government interests (an LGRP-Savez joint effort related to analysis of functional assignments and discussion of directly elected mayors) and provided a forum for exchange of experiences in local government daily operations with an emphasis on Croatian local government best practices and innovations. Maris Mikelsons spoke at the Assembly on the topic of Best Practices, and LGRP's Bill Kugler gave a presentation on functional analysis.

With assistance of LGRP's subcontractor, Madison, the media attendance and media coverage of the Assembly was greater than expected and included press, radio and TV. The President of Association of Cities held a press conference at the event that focused on decentralization of location/construction permits, direct elections of mayors, the partnership of the Savez and Government, and the redistribution of tax revenues.

Subcomponent 2.2

Union of Association of Cities and Association of Municipalities (SAVEZ)

- In taking an active role in the preparation of the "Analysis of Local Government Functional Tasks and Recommendations for Further Decentralization", Savez demonstrated to local governments its unique potential to act as a focal point for local governments to systematically cooperate in preparing a set of recommendations on a critical policy issue. This must be complemented in the future by follow-through through public advocacy activities and exerting pressure in the Decentralization Commission and its Experts Groups to make sure that some of the recommendations are adopted and implemented. The participation of the President of the Association of Cities along with donors at the upcoming Decentralization Donor Conference will contribute to this objective.

Local Government Hours

- LGRP subcontracted GONG to organize eight regional "Local Government Hours" (LGH) as a venue for members of the Advocacy Network and Savez to expose, elaborate and advocate for issues of local government concern. Two Local Government Hours were conducted in Osijek and Rijeka on the topic *Implications of EU for Local Governments in Croatia: Regional Policy and Coordination of Structural Instruments*. In addition to a general introduction to EU accession and the related National Strategy for Regional Development, presentations and discussions focused on very practical suggestions for institutional improvements and capacity building required by local

governments in order to meet EU requirements and to fully benefit from the opportunities offered by EU pre-accession funds in 2005-2009 and, ultimately, for EU Structural and Cohesion Funds.

- The fourth LGH was held on November 15, 2005 in Croatian Parliament about *Compliance of the Croatian Legislative Framework with the European Charter of Local Self-Government*. Many of the approximately 50 participants were MPs and representatives of cities and counties. Key note speakers were State Secretary for Administration, Antun Palaric; Chair of Parliamentary Committee for Local Government, Zvonimir Mrcic; representative of Institute for Public Finance, Marija Musec; and LGRP representative, Juliana Pigey. Although the general conclusion of the roundtable was that the Croatian legislative framework is fairly compliant with ratified articles of the Charter, participants emphasized that there were still issues related to administrative and fiscal decentralization and legal protection of local governments.
- Two Local Government Hours were held on the topic of *The Relationship of the Directly Elected Mayor and LG Council*, which took place in Zadar and Zagreb in December. LGRP asked Jessie Pilgrim to prepare a publication on this topic that included international best practices and practical guidelines. This publication was distributed to participants at the roundtables and dissemination to MPs, local governments and other stakeholders (Advocacy Network) will take place in February, prior to submission of the Law on Direct Elections to Parliamentary procedure. Participants at the roundtables were representatives of GoC, Universities, Counties, MPs and included the Mayors of Zagreb and Rijeka. Participants supported the Government's willingness to introduce direct elections of a mayor and emphasized the importance of establishing proper electoral procedures, recall mechanisms, supervision mechanisms and clear authorities of mayor and council. Participants also emphasized the need to restructure local governments' executive boards and create a mayor's cabinet in order for local governance to be effective.

Advocacy Network

- LGRP created a database of members of the Advocacy Network from participants in Local Government Hours and individuals and organizations interested in reform of the local government sector expressed outside of the LGHs, and sent to them the winter issue of LGRP News (newsletter). Also, the LGRP hired a designer to create an electronic shell for the first newsletter intended to introduce members as part of the informal Network. USAID's Tom Rogers agreed to write the cover letter for the Newsletter. The first issue of the Newsletter will be compiled and disseminated during the next quarter. Furthermore LGRP will work to provide a venue for this Network to publicize its views on issues of local government reform.
- LGRP and USAID met with Krno Peronja, Deputy of the Sabor Committee on Local Government, to agree to research comparative country experience on shared taxes for local governments. This member of the Parliament intends to submit an amendment to the Law on Financing Local Government that would change the shared profit tax from one that is based on the location of a firm's headquarters to one that is based on the location of the business premises, thus changing the distribution of the shared tax to local governments in which businesses are actually located. LGRP collected information from various sources to support his position and influence the upcoming legislative debate on the topic.



3. ASSET MANAGEMENT (AM)

- The new Mayor of Karlovac, committed to the continuation of technical assistance to further implement the Asset Management Model, culminating in the preparation of Comprehensive Asset Management Strategic Plan, which is expected to yield new revenues from the assets owned by the City. The Mayor assigned the head of the previous AM Task Force to continue as the head of the new Task Force. LGRP will continue to contract with the LGRP-trained consultant group, Libusoft d.o.o., to provide direct technical assistance under the guidance and support of the LGRP AM Task Manager and expert consultants. The draft scope of work was developed by the Task Force. The Mayor will conduct a press conference to announce the continuation of the Asset Management activities to the public in January.
- In Split, LGRP work progressed on AM Model implementation with a series of workshops on classification of property and transitional issues, appraisal of property, property level operating statements and financial analysis of property units and portfolios. Meanwhile, research on the culture and sports assets of the City of Split is continuing, as is the extensive research of the unclear legal and ownership status of 12,500 land parcels. LGRP also monitored the procedure of adopting the General Zones Plan in the City of Split and obtained the list and description of the planned projects. During the public hearing on the General Zones Plan, the City discussed the achievements of the work done in collaboration with the LGRP on AM in Split.
- LGRP arranged an exchange between City of Varaždin asset management expert Bojan Lukman and the City of Split AM Task Force to present Varaždin's communal infrastructure database, application of HEP ESCO funds for public lighting and experience in accessing EU pre-accession funds.
- In Rijeka, LGRP work progressed as the City assigned an AM Task Force. The City of Rijeka has already compiled a database of its assets for the purpose of analysis and compatibility with the AM Model requirements. The AM Task Manager met with each of the major individual departments where the inventory data now resides to review the content and to make recommendations to the City regarding the most appropriate IT approach to creating an asset management database and analysis system. LGRP start-up work includes analysis of the required property-level financial data.
- LGRP conducted final workshops for the Vojnic and Đulovac clusters of municipalities to present and discuss implementation results in the Municipality of Vojnic and the Guidebook on the Legal Basis for Asset Management that is primarily designed to support the needs of municipalities with limited access to in-house legal expertise.
- LGRP requested permission from the Ministry of Finance to access data regarding the establishment of a system for semi-annual reporting of achievement of the AM revenue targets. These data would come from the FINA local government finance reporting system. However, approval has not yet been granted.

4. ECONOMIC DEVELOPMENT STRATEGIC PLANNING (EDSP)

- Eleven (11) Economic Development Strategic Plans (EDSPs) were completed and accepted by the Management Boards of participating local governments during the quarter, bringing the total to 43 EDSPs under LGRP II. Of the 43 EDSPs accepted by the Management Boards, 30 have already

been adopted by the local government councils and the balance are under review and consideration.

- Following the election and formation of new local governments, the economic development (ED) team and LGRP-trained local consultants successfully undertook extensive efforts to secure the agreement of local governments to continue the EDSP processes initiated under previous administrations. Although some of the local governments faced serious delays in starting or restarting the EDSP process with support of LGRP's Cost Share Program (CSP), it is now anticipated that all signed CSP contracts will be successfully completed by March 31, 2006.
- It is now anticipated that only 47 of the previously planned 48 EDSPs will be adopted by the management boards by March 31, 2006 because LGRP was instructed by USAID not to provide technical assistance to the City of Karlovac to develop an EDSP, as previously planned. Accordingly, the end of project target should be adjusted.
- As stated in the revised Work Plan for LGRP, the City of Rijeka has further delayed start-up of the Update of the City of Rijeka EDSP. The delay was necessary in order to coordinate concurrent development of the EDSP with development of the Primorsko-Goranska ROP that has not yet started. Therefore, LGRP has advised the City of Rijeka that LGRP can only dedicate very limited resources to support the EDSP Update should it proceed in the future.

5. E-GOVERNMENT

- During the quarter, an additional fifteen (15) local governments installed and are now actively using the e-government model, bringing the total to forty-four local and regional governments using the model.
- An official opening of the 11 Municipality e-government models in the Okucani duster was conducted at the Lisinski Center in Zagreb (December) in order to maximize media exposure at both the national and local levels. LGRP will continue extensive training of all levels of users in the 11 municipalities through the end of March 2006.
- LGRP continued conducting presentations of the installed e-government model to several new local government councils and management boards following the elections and installation of new local governments. LGRP also continued with one-stop-shop implementation and training in Vinkovci and Crikvenica. LGRP technicians continued to provide technical support to LGRP-trained consultants now implementing contracts to implement e-government systems in local governments.
- Following the commitment of the Mayor of Split to implement the e-government model, LGRP conducted several meetings with the responsible Deputy Mayor and staff of the IT Department. Despite some initial resistance from the IT Department staff, LGRP and city officials agreed to proceed with the e-government model implementation according to LGRP model implementation processes and procedures. However, this "resistance" caused delay in start up activities.
- LGRP technical staff provided on-call technical assistance and further training to all local and regional governments that are currently using the e-government model. As the number of local government users expands, this task requires additional resources.



- The LGRP e-government task manager and Tom Rogers of USAID met with the IBM Technical Director to briefly present the e-government model being implemented by LGRP in local governments. LGRP will make model manuals and materials available to IBM on request.
- The LGRP Chief of Party and e-government task manager and Tom Rogers of USAID met with the deputy head of the Government's E-Croatia to present the USAID e-government model. While E-Croatia does not envision becoming directly involved in e-government systems for local and regional governments, they are keenly interested in learning more about the system and are expected to provide an endorsement of LGRP's model. LGRP scheduled another meeting for January with E-Croatia's technical staff.
- LGRP met with the USAID-funded ESP Project to present the e-government model and discuss how the LGRP one-stop-shop feature of the e-government model complements the one-stop-shop being implemented at the county level by FINA. ESP representatives agreed to provide information on investment promotion approaches to post on the e-government systems.

6. INVESTMENT PROJECT PACKAGING (IPP)

- The IPP Manuals were completed and broadly disseminated via the LGRP website as well as through previous intensive workshops with IPP Partner local governments of Koprivnica, Crikvenica, Glina and Novska as well as Duga Resa which has also embraced the IPP model.
- The previously completed example Financial and Economic Feasibility Studies prepared in Gvozd for a green market expansion and in Glina for a water distribution project were disseminated through a variety of methods (see below) and a framework for the Koprivnica waste water treatment plant project has been provided to and discussed with staff of the City of Koprivnica.
- The Financial and Economic Feasibility Studies for the Gvozd and Glina projects were used by these local governments as supporting documentation for their applications to the Ministry of Sea, Tourism, Transport and Development (MSTTD) to justify their applications for investment grants under the joint MSTTD / USAID infrastructure grants program.
- The IPP Task Manager, in cooperation with the Municipality of Gvozd, organized a field trip for participants of the Public Administration course on "New Methods of Local Capital Investment" at the Zagreb School of Economics and Management to inspect the Gvozd market project and learn more about the Feasibility Study methodology.

7. LOCAL GOVERNMENT INFRASTRUCTURE

- The work continued on preparing the administrative and finance aspects of procurement related to goods and services for this component. LGRP shared a model construction contract with USAID while USAID in turn shared a model construction contract with LGRP. USAID worked to identify the first group of projects.

8. PUBLIC PROCUREMENT

- In order to accommodate the CARDS Twinning Project "Strengthening the Croatian Public Procurement System" timeframe for implementation of its activities, USAID and LGRP agreed to

adjust the timeline for addressing benchmarks found in the LGRP scope of work to the timeframe of the CARDS Twinning Project.

- As part of cooperation with the GoC Public Procurement Office and CARDS Twinning Project, LGRP, working with its partners, created a Working Group with members from different Croatian public contracting entities, such as line ministries, local governments and other qualified government institutions. It will meet on a weekly basis to monitor progress on refining the first draft of the Croatian Public Procurement Manual. LGRP, CARDS Twinning Project and GoC Public Procurement Office concluded an agreement with the Working Group on the structure of the Croatian Public Procurement Manual.
- LGRP organized a series of regular weekly meetings with CARDS Twinning Project and GoC Public Procurement Office's representatives regarding work on the creation of a set of forms and templates for the Croatian Public Procurement Manual.
- In order to accelerate work for this component, LGRP identified EU public procurement expert Stephan Rechen to ensure consistency with the work of the CARDS Project and GoC Public Procurement Office and EU rules and regulations.
- LGRP assisted the Ministry of Science, Education and Sports in preparation of Draft Standard Bidding Documents for the Education Sector Development Program Project that is financed by the World Bank.

9. FINANCIAL MANAGEMENT (CBS)

- In October, LGRP conducted a workshop on the functions, set-up and maintenance of the "Croatian Budget System" (CBS) to a second group of Croatian software companies (Laus CC Dubrovnik, IN-93 Sisak, Vugergrad Zagreb, and IKP Vladimir Vulic Zagreb). As a follow up to this workshop, LGRP conducted training on how to incorporate the CBS as part of software packages to the following private firms: Libusoft Cicom Zagreb, BMB Netkom Karlovac, and Infoprojekt Rijeka.
- In October, Eric Uggen conducted training for LGRP financial management staff to instruct them on the use of the CBS for budget preparation and execution reporting. This training did not include an understanding of the source code for the CBS.
- LGRP disseminated copies of the CBS and User Manuals to all software vendors (Libusoft Cicom Zagreb, BMB Netkom Karlovac, and Infoprojekt Rijeka) identified by the project and those that attended the workshop on the use of the CBS.

10. MARKET FOR LOCAL GOVERNMENT SERVICES (OUTSOURCING)

In October, November and December LGRP implemented the new program component focusing on outsourcing for local governments, based on the previously developed strategy for enhancing the market for Local Government services, including NGOs, businesses and consultants as service providers. This work was divided into three components, each focusing on a different aspect of outsourcing: 1) research and report on outsourcing, 2) directory of service providers, and 3) regional conferences.



- LGRP finalized the “Overview of the Outsourcing Market” conducted during the previous quarter by the LGRP consultant Anton Vidas. The report was based on interviews with about sixty local government representatives conducted over a two-month period. LGRP staff organized a presentation of the results to the Union of the Association of Cities and Association of Municipalities (the Union). The LGRP also presented a Directory of Professional Expertise, and explained the concept of the regional outsourcing conferences to the Union representatives. In November, LGRP continued to work with Anton Vidas on producing examples of outsourcing to present at the regional conferences.
- In October, LGRP continued to assist the City of Rijeka in developing transparent procedures for outsourcing NGOs as a follow up to the NGO Charter, developed and adopted in November 2004. LGRP’s work with the City of Rijeka and other local governments on preparing and adopting the NGO Charter and creating specific operational documents directly contributes to the outsourcing component as it improves local governments’ grant making procedures to NGOs (addressing the EOP target of 200 grants awarded to NGOs). It also serves as a model for other local governments. Thus far, two counties and three cities have already adopted the NGO Charter and are currently developing transparent procedures for financing NGOs. More interest has been expressed from many other local governments including Skradin, Knin, Šibenik, Zadar and others. LGRP will continue assisting Rijeka and work on further promoting transparent practices to other local governments.
- In order to meet the targets of this component, LGRP developed a strategy for advancing skills of the service providers (local government consultants, NGOs, firms) and for further assisting HUKON. As part of this work, LGRP organized a series of seminars, including the Project Preparation for EU Pre-accession Funds seminar held in November, in Zagreb for over 40 consultants and local governments’ representatives. The seminar directly contributed to the outsourcing component, as it helped educate local government consultants about the practical implications of EU funding to local governments. Participants received specific information on the project proposal development, applications, types of funds and others, thus receiving new skills necessary in providing consulting services to local governments. LGRP will continue providing additional information and assistance to both consultants and local governments in this currently highly demanded area.
- In addition to this seminar, LGRP, in cooperation with AED’s CroNGO Program, co-organized training to NGOs as service providers to local governments. The participants included 12 AED grantees (a total of 15 participants), currently engaged by the local governments in developing and managing public spaces. The seminar was conducted on December 1 and 2 by LGRP-trained consultant Borjanka Metikoš and the LGRP staff. This activity directly contributed to the outsourcing component as it helped NGOs to improve their outsourcing skills and management of long-term, sustainable projects.
- LGRP worked on designing a type of training that would contribute to the above target, related to project proposal development. An experienced trainer, Marija Raos, will conduct a three to four day course for all interested service providers. The course topics will include identification of the projects and appropriate financial resources, development of application, marketing of the project to local governments and the project implementation. The course will be conducted in the first quarter of 2006.
- LGRP worked with HUKON to enhance recruitment of members (currently over 70), as well as secure relationships with donors and other associations (e.g. the Association of civil society trainers,

TREF). LGRP reviewed all HUKON related materials and proposed the initial approach for an evaluation of HUKON that would help assess the state and challenges for HUKON. A draft evaluation plan was prepared and submitted to USAID at the end of December. LGRP and the Board identified financial planning and project proposal development as key areas that require immediate attention.

11. PUBLIC ADMINISTRATION TRAINING

- In November, LGRP worked with three Croatian institutions to finalize longer-term strategies for five-day Public Administration Certificate Courses as ongoing education for local government professionals. The institutions were: Zagreb School of Economics and Management (ZSEM), Faculty of Political Science at University of Zagreb, Faculty of Philosophy and Šibenik College for Management at the University of Zadar.
- LGRP secured a working relationship with the University of Split Faculty of Law to conduct Certificate Courses. The Faculty of Law created a task force, adopted a Course Strategy and developed a detailed design and action plan for the first course. The course is planned for February 2006 to serve at least 25 participants from local and regional self-governments.
- At the request of Antun Palaric, State Secretary for Public Administration, LGRP agreed to hire a legal consultant to draft a model founding act and statutes for the proposed Local Democracy Academy. The Academy will be established jointly by the Government of Croatia in collaboration with the Union of the Associations of Cities and Municipalities. The LGRP will influence the design and structure of the Academy through its input to the founding act and statutes. In addition, the CARDS Administrative Decentralization project and the Council of Europe will provide expertise to the Academy in developing a training needs assessment and strategy for local governments.

12. CITY TWINNING

- The fourth exchange took place under the LGRP Twinning Program between the Northeast Oregon Coalition for Economic Development (comprised of the cities of La Grande and Pendleton and Union County, Oregon) and the cities of Labin, Pazin and Buzet. The exchange took place October 29 – November 5, 2005. Nine representatives from Labin, Buzet and Pazin traveled to the US to continue work on the selected topics of cooperation, as defined in the joint Work Plan. The results of these exchanges were that the Croatians were provided with first-hand information about how US cities interface and collaborate with their entrepreneurs. Furthermore,, participants were provided with an introduction to the key tools, techniques and strategies that U.S. local governments use to promote sustainable local development, especially through small business surveying, business attraction, and website development, as well as infrastructure provision. During the exchange, a more detailed implementation plan in the area of business recruitment was created.
- The third exchange took place between the City of Dubrovnik and the City of Monterey, California over the October 19–29 period. Four representatives from the City of Monterey traveled to Dubrovnik to continue the work on the selected topics of cooperation, and finalize the joint Work Plan, including evaluation of hotel and public spaces capacities, approach to the development of a joint strategy for congress tourism, and assistance to establish a golf venue project.



- A fourth exchange took place between the City of Karlovac and Kansas City over the November 5-12 period. Four representatives from the City of Karlovac traveled to Kansas City to continue the work on the selected topics of cooperation, as defined in the joint Work Plan, including transfer of successful public-private partnerships formation from the US, finalization of a marketing brochure featuring three commercial municipal sites in Karlovac, exposure to new citizen participation best practices, study of US practices for land acquisition, and organizational aspects of US cities.
- The third exchange between the City of Port Townsend, WA, and the City of Umag took place over the December 5-9 period. Two representatives from Port Townsend traveled to Umag to continue work on the selected topics of cooperation as part of the joint Work Plan, including development of strategies for tourist development in Umag and on the overall tourist strategy of Istria, and addressing conversion of former military barracks for their use as a tourist/commercial multi-purposes center.

13. MEDIA OUTREACH

- LGRP Media Outreach Specialist (MOS) during the reporting quarter:
 - Promoted LGRP certificate courses;
 - Updated the LGRP website
 - Issued Media announcements;
 - Created an "e.wire" column on the LGRP web site to cover events during real time;
 - Promoted the output of the five Local Government Hours including the publication "Compliance of the Croatian Legislative Framework with the CoE's European Charter of Local Self-Government (Nov. 2005)";
 - Coordinated the work of public relations firm Madison Consulting with Savez.
 - Appeared on television to promote conferences on outsourcing for local government services;
 - Drafted a press release explaining the purpose of the joint LGRP and Savez Decentralization roundtables;
 - Provided media attention to the event to launch e-Government systems in 11 municipalities at Lisinki hall in Zagreb;
 - Compiled and issued the Winter edition of LGRP NEWS - a new edition of the LGRP Newsletter;
 - Monitored media and provided the LGRP and USAID staff with press clippings and answers to public and media queries and requests for additional information, press releases, photographs, etc.

Cooperation with Other USAID Projects

- LGRP took the initiative to meet with the COP of the ESP, Jim Winker, to plan for cooperation between the two projects. ESP's COP agreed to consider participation in the LGRP PA certificate courses to promote investments in local governments and to explore the possibility of including information for investors on the E-government system developed by the LGRP.

IV. PROBLEMS OR DELAYS AFFECTING PROJECT PERFORMANCE

The project continued work to re-direct resources to comply with USAID's new scope of work for the LGRP.

V. MAJOR WORK PLANNED FOR NEXT REPORTING PERIOD

1. ADVANCE LOCAL GOVERNMENT POLICY AND LEGISLATION

- The draft "Analysis of Local Government Functional Tasks and Recommendations for Further Decentralization" will be reviewed in a meeting with the Savez senior management team and all Savez members of the Decentralization Commission and Experts Groups on January 13. The objective of the meeting will be to finalize the draft Analysis, to develop a strategy for using the Analysis in the Decentralization Commission and Experts Groups, and to discuss how to disseminate the Analysis.
- Studies will be initiated of 3-4 priority candidate functions/authorities to be identified for devolution to local governments by the Experts Group and/or by Savez.
- LGRP will design a public outreach program to broadly disseminate the findings of the Analysis and promote the need for legislation regarding the priority sectors identified for further decentralization in the Analysis.
- LGRP will conduct a series of 6-7 public events involving Zupanias, local governments, members of the central governments, NGOs and other stakeholders to present and discuss the recommendations of the Analysis.
- LGRP will issue Jessie Pilgrim's publication on establishing balanced relationships between mayor and council and deliver it to MPs, local governments and other stakeholders
- LGRP will finalize recommendations to local governments on capital financing, develop and conduct two conferences on capital finance in Zagreb and Split
- LGRP will, in cooperation with World Bank and European Commission, conduct a conference on decentralization on January 23, 2006
- LGRP will work with OSCE to conduct a joint conference on the direct election of mayors at the end of February or beginning of March.
- LGRP will finalize the *Cooperation among Local Governments* report and disseminate it to key stakeholders.

2. INCREASED ADVOCACY OF LOCAL GOVERNMENT INTERESTS.

- LGRP will organize media training for Savez, to be held on January 25..
- LGRP, through its subcontract with GONG, will conduct two local government hours at the end of January and beginning of February and will issue "Legislative Alerts" and "Updates from Sabor" and deliver them to the Advocacy network, Savez, USAID and other stakeholders throughout 2006 and 2007.
- The LGRP SOW will define the content of four impact studies based on issues identified in the local government hours and by Savez and the Advocacy Network.
- LGRP will work with CoE and OSCE to assist Savez in launching a Best Practice program in March.
- LGRP will issue the Advocacy Network electronic newsletter to Network members.

3. ASSET MANAGEMENT

- LGRP will continue direct technical assistance for AM Model implementation in Karlovac, Split and Rijeka according to the work plan. Identification and further inventory of assets in both Split and Rijeka should substantially add to the total assets inventoried.



- LGRP will conduct promotional meetings with the City of Zadar and, if they are interested, agree on AM Model implementation during the following quarter.
- LGRP will provide technical support and monitoring of Cost Share Program contracts for Asset Management in Šibenik, Porec, Kastela and Trogir, among others, which must be completed by March 31, 2006.
- LGRP will further disseminate the Guideline on the Legal Basis of Asset Management to all local governments that have implemented the AM Model.

4. ECONOMIC DEVELOPMENT STRATEGIC PLANNING (EDSP)

- LGRP will work with consultants to finalize implementation of Cost Share Program contracts by March 31, 2006. This will require continued support to LGRP-trained consultants working on the final four EDSPs as well as reviewing all EDSPs submitted to date for compliance with the CSP contracts.
- LGRP will further explore cooperation with USAID's ESP project regarding public administration training to reduce barriers to local economic development.
- LGRP will produce summaries of existing EDSP and document the output of this work.

5. E-GOVERNMENT

- LGRP will continue to provide technical oversight and support of the LGRP-trained consultants implementing the model in an additional 11 local governments, which must be completed by March 31, 2006.
- LGRP will continue training and technical assistance in the One-Stop-Shop application to incorporate permitting processes in Vinkovci, which are now being expanded to the City of Crikvenica.
- LGRP will continue mobilization of the City of Split Task Force for the E-Government system and conduct a study of the existing IT environment in the City.
- LGRP will conduct screening and promotional meetings with candidate counties and with at least 22 interested local governments within the counties to implement the e-government model. Agreements will be made and implementation of e-government model will be initiated.

6. INVESTMENT PROJECT PACKAGING (IPP)

- LGRP will finalize revisions (if requested) to a framework for the Koprivnica waste water treatment plant project.

7. LOCAL GOVERNMENT INFRASTRUCTURE

- LGRP will finalize the review of the contracts and issue contracts for the first group of projects identified by USAID/MSTTD.

8. PUBLIC PROCUREMENT

- LGRP will continue collaboration with the CARDS Twinning Project, "Strengthening the Croatian Public Procurement System" and GoC Public Procurement Office in order to jointly finalize the first draft of the Croatian Public Procurement Manual.
- LGRP's public procurement expert will create and append to the draft Public Procurement Manual all missing necessary flow charts, forms and templates, as agreed with the CARDS Twinning

Project and the Working Group, in order to have standardized practices and to help users of the manual in the process of conducting procurement procedures. These appendices must be approved by the CARDS Project and the GoC Public Procurement Office. He will also prepare Standard Bidding Documents for procurement of goods, works and services by amending existing materials LGRP Packaging, examples from various Croatian procurement entities, proposals of the CARDS Twinning Project and best practices from manuals from other EU member states) with templates in accordance with actual Croatian Public Procurement Legislation and acceptable to the CARDS Twinning Project and GoC Public Procurement Office.

- By the end of February, the LGRP and CARDS Twinning Project, "Strengthening the Croatian Public Procurement System" will seek endorsement of the first draft of the Croatian Public Procurement Manual from the GoC Public Procurement Office.
- By the end of March, LGRP expects presentation of the first draft of the Croatian Public Procurement Manual.

9. FINANCIAL MANAGEMENT (CBS)

- LGRP will draft agreements with software vendors regarding copyrights on use of CBS in their offerings to LGs.
- LGRP will publicize CBS and supporting materials on the project web site and other appropriate Internet sites for its wide dissemination.
- LGRP will monitor and evaluate utilization of the CBS by LGs that adopted it as a tool for budget preparation.

10. MARKET FOR LOCAL GOVERNMENT SERVICES (OUTSOURCING)

- LGRP will conduct an evaluation of HUKON and then share it with the HUKON Management Board as input to a plan for future activities of HUKON and the potential of LGRP support
- LGRP will continue organizing training for service providers, e.g. on developing projects or on financial planning
- LGRP will draft a training plan and strategy for member certification to be presented and adopted by HUKON's Assembly
- LGRP will restructure the Directory of Professional Expertise into a full internet-based tool and further promote it among local governments

11. PUBLIC ADMINISTRATION TRAINING

- LGRP will work with two new partner institutions to organize PA Certificate Courses: Zagreb University (Faculty of Political Science) and Faculty of Law (Split University) to serve at least 25 participants each.
 - LGRP will provide follow up assistance to the Šibenik College (Zadar University) and Zagreb School of Economics and Management in organizing their second PA Certificate Courses: serving at least 25 participants each.
 - Four partner institutions for PA certificate courses will finalize long term Strategic/Action Plans, course designs and define modes of cooperation with one of the American Institutions and LGRP.
- LGRP will work with CSU and Croatian partner institution (Zagreb School for Economics and Management and/or Šibenik College) to develop Strategy and Course design for the extension PA Certificate Course based on teleconferencing and other distance learning methods.



12. CITY TWINNING

- The sixth exchange will take place in March under the LGRP Twinning Program between the City of Karlovac and Kansas City. Representatives from the City of Karlovac will travel to Kansas City to continue the work on the selected topics of cooperation, as defined in the joint Work Plan.
- The fifth exchange will take place in March under the LGRP Twinning Program between the Northeast Oregon Coalition for Economic Development (comprised of the cities of La Grande and Pendleton and Union County, Oregon) and the cities of Labin, Pazin and Buzet. Representatives from Oregon will travel to Labin, Buzet and Pazin to continue the work on the selected topics of cooperation, as defined in the joint Work Plan.
- The fourth exchange under the LGRP Twinning Program will take place between the City of Dubrovnik and the City of Monterey, California. Representatives from the City of Dubrovnik will travel to Monterey to continue the work on the selected topics of cooperation, and finalize the joint Work Plan.
- The fourth exchange under the LGRP Twinning Program will take place between the City of Port Townsend, WA, and the City of Umag in February. Representatives from Umag will travel to Port Townsend to continue work on the selected topics of cooperation and finalize the joint Work Plan.

ATTACHMENT

Financial Summary